DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SUPPLEMENTAL RECORD REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
D.T.E. 01-81

Date: February 14, 2003

Witness Responsible: Francisco C. DaFonte

DTE-RR Sup. 1-6:

Please explain in detail how the Company dispatches gas to serve its customers on a daily basis. In your response, please provide relevant data showing Bay State's "Daily Game Plan" or "Daily Dispatch Plan" for the past year.

Response: The Company dispatches gas by pipeline service territory with the Tennessee System providing service to the Lawrence and Springfield divisions and the Algonquin System providing service to the Brockton division. Within each of these service territories, the Company dispatches gas on an aggregate basis, including all firm sales customer classes as well as grandfathered and non-grandfathered firm transportation customer classes.

Bay State determines requirements based on the most recently available baseload and heating increment data aggregated by service territory. Based on this historical data, the heating increment is multiplied by the forecasted EDD and added to the baseload requirements. Any large interruptible customer requirements or power plant requirements are also added to establish the total requirements by pipeline service territory. All nominations on Bay State's firm contracts and those from end-use transportation customers or their marketers are combined and compared to the total requirements by pipeline service territory. Any additional purchase needs are determined by subtracting the total nominations from the total requirements. This process is applied to the daily weather forecast and a "gameplan" comparing requirements and nominations is developed for a seven-day period.

After calculating the daily aggregate requirements, the Company then determines resource dispatch order based on several factors including reliability, economics and logistics. Typically, the Company dispatches its most cost effective pipeline supplies first in order to satisfy the baseload

requirements of its customers, next, as the load curve increases due to heating requirements, additional pipeline supply and underground storage is dispatched, and lastly, LNG, propane an other supplemental supplies are dispatched in order to satisfy the peak heating requirements of the Company's customers. However, depending on factors such as market conditions, inventory levels and trucking logistics, the daily dispatch order may change significantly. For example, Bay State monitors its underground storage and LNG inventories very closely to ensure that they are within expected "rule curve" levels as of a specific date in the winter period. During a cold snap, Bay State may make additional pipeline spot purchases or vaporize liquid propane in order to "husband" these inventories and avoid falling below established "rule curve" levels.